

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 INT-08 SCEM-02 CIAE-00 DODE-00

INR-10 NSAE-00 PA-03 RSC-01 USIA-15 PRS-01 COME-00

L-03 NSC-10 CIEP-02 OPIC-12 FPC-01 OMB-01 TRSE-00

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P 222115Z AUG 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 1578

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POUCHED ALL CONGENS CANADA

E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJECT: NATIONAL ENERGY BOARD DECISIONS ON PRINCIPLES AND
METHODS OF ALLOCATING OIL SURPLUS TO CANADA'S
REQUIREMENTS

1. EMBOFF INFORMED AUGUST 22 OF ISSUANCE OF NATIONAL ENERGY BOARD (NEG) REPORT CONTAINING DECISIONS ON ALLOCATION OF OIL SURPLUS TO CANADA'S REQUIREMENTS. NEW ALLOCATION SYSTEM GOES INTO EFFECT ON OCTOBER 1 AND WILL BE APPLIED TO OCTOBER EXPORT LICENSE APPLICATIONS WHICH ARE DUE IN NEB ON AUGUST 31.

2. IN ORAL BRIEFING ON REPORT BY PORTER, EXPORT DIVISION, OIL POLICY BRANCH OF NEB, IT WAS NOTED THAT BOARD'S DECISIONS ARE "BEST EFFORTS" RESPONSE TO US VIEWS (SET FORTH IN JUNE SIMON LETTER) ON ALLOCATION PRIORITIES THAT SHOULD BE FOLLOWED. THE BOARD SPECIFICALLY EXPRESSES HOPES IN REPORT THAT US WILL ULTIMATELY ASSUME RESPONSIBILITY FOR ALLOCATION.

3. PORTER STATED TO EMBOFF THAT HE WOULD BE AVAILABLE
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FOR WASHINGTON BRIEFING ON REPORT IF THAT CONSIDERED

DESIRABLE. OFFER MAY BE MADE OFFICIALLY THROUGH
CANADIAN EMBASSY ENERGY OFFICER WHO HAS BEEN SENT
COPIES OF THE REPORT BY THE NEB. WE WILL ALSO POUCH
COPY TOMORROW.

4. AFTER NOTING THAT NEB WILL CHANGE NEW ALLOCATION
PROCEDURE IF, IN ITS OPINION, THE CANADIAN PUBLIC CAN
BE BETTER SERVED BY ANOTHER PROCEDURE, THE FEATURES OF
THE NEW SYSTEM ARE SET FORTH IN REPORT AS FOLLOWS:

BEGIN QUOTE

1. PREFERENCES FOR PARTICULAR TYPES OF CRUDE OIL BY
CANADIAN REFINERS SHOULD NOT BE RECOGNIZED AND GIVEN
EFFECT AT THIS TIME.

2. NO SPECIAL EXEMPTION PRIVILEGES TO BE ACCORDED ANY
PARTICULAR TYPES OF CRUDE OIL MOVING INTO EXPORT.

3. CRUDE OIL AND CONDENSATE TO CONTINUE TO BE
ALLOCATED SEPARATELY.

4. REQUIREMENTS BY UNITED STATES UTILITY COMPANIES
(CONSUMERS POWER, DETROIT EDISON AND LAKE SUPERIOR
DISTRICT POWER) FOR CANADIAN CRUDE AND CONDENSATE TO
RECEIVE PREFERENTIAL TREATMENT, BUT ONLY TO LIMITED
EXTENT. FOR THE PRESENT TIME, A MAXIMUM OF 40,000 B/D
OF LICENSED MATERIAL WILL BE SET ASIDE FOR THIS MARKET
SECTOR. NO EXCHANGES OF CRUDE OIL AND CONDENSATE
LICENSED FOR EXPORT TO UNITED STATES UTILITY COMPANIES
WITH REFINING COMPANIES TO BE RECOGNIZED.

5. EXPORTS TO LAKEHEAD PIPE LINE COMPANY OF CRUDE AND
EQUIVALENT USED AS FUEL FOR ITS PUMPING UNITS TO
RECEIVE PREFERENTIAL TREATMENT.

6. EXPORTS BY TRUCK, TANKER OR MINOR PIPE LINE SYSTEMS
TO BE TREATED IN THE SAME MANNER AS EXPORTS MOVING VIA
THE MAJOR TRUNK PIPE LINE SYSTEMS.

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7. EXPORTS TO DISTRICTS I-IV AND TO DISTRICT V TO BE
ALLOCATED ON THE BASIS OF THE PRO RATA SHARE OF THE
TOTAL OF 1,240,000 B/D OF UNITED STATES FEE-FREE
LICENSED AMOUNTS ANNOUNCED BY THE UNITED STATES
GOVERNMENT ON APRIL 18, 1973 TO BE ALLOCATED TO EACH;
I.E. 77.4PERCENT OF THE SURPLUS TO BE INITIALLY ASSIGNED TO
DISTRICTS I-IV AND 22.6PERCENT TO DISTRICT V.

8. THE EXPORTABLE SURPLUS OF CONDENSATE TO BE ALLOCATED TO DISTRICTS I-IV AND TO DISTRICT V ON THE BASIS OF THE SHARE OF EXPORTS EACH RECEIVED FROM CANADA DURING 1972.

9. INDIVIDUAL COMPANY ALLOCATIONS FOR CONDENSATE FOR THOSE COMPANIES WHICH HAVE PROCESSED CANADIAN OIL IN THEIR FACILITIES DURING 1973, FOR DISTRICTS I-IV REFINERS TO BE IN RATION TO THEIR UNITED STATES FEE-FREE LICENSED AMOUNTS AND FOR DISTRICT V REFINERS IN RATION TO THEIR 1972 IMPORTS OF CANADIAN MATERIAL.

10. THE CRUDE OIL THAT IS TO BE ALLOCATED TO DISTRICTS I-IV AND TO DISTRICT V WILL BE THE DIFFERENCE BETWEEN THE TOTAL SUPPLY ALLOCATED TO EACH AREA (# 7 ABOVE) AND THE CONDENSATE LICENSED TO EACH. (# 8 ABOVE)

11. CRUDE OIL TO BE ALLOCATED TO INDIVIDUAL COMPANIES WHICH HAVE PROCESSED CANADIAN OIL IN THEIR FACILITIES DURING 1973 ON THE BASIS OF THEIR UNITED STATES FEE-FREE LICENSED AMOUNTS. THOSE AMOUNTS WILL BE THE SUM OF EACH IMPORTING COMPANY'S ORIGINAL MOIP QUOTA FOR 1973 PLUS ANY OIL IMPORT APPEALS BOARD (OIAB) AWARDS GRANTED PRIOR TO 15 AUGUST 1973, BOTH EXPRESSED ON AN ANNUAL BASIS.

12. ALLOCATIONS BY EXPORT TRANSPORTATION FACILITIES TO BE ASSIGNED IN RATION TO APPLICATIONS RECEIVED BY THE BOARD AS LONG AS THESE ALLOCATIONS TO NOT IMPINGE UPON THE SUSTAINABLE CAPACITY OF ANY PIPE LINE SYSTEM.

13. THE EXCHANGE OF ALLOCATIONS BETWEEN DISTRICTS I-IV AND DISTRICT V NOT TO BE PERMITTED.

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14. EXCHANGES OF ALLOCATIONS WITHIN DISTRICTS I-IV AND WITHIN DISTRICT V TO BE PERMITTED SO LONG AS THE EXCHANGE PROPOSED DOES NOT CREATE AN EXCESS OVER PIPE LINE CAPACITY IN EACH CASE.

15. EACH LICENSEE TO BE REQUIRED TO BALANCE HIS LICENCE ACCOUNT AT THE END OF A SPECIFIED PERIOD WITH NO CARRY-OVER PROVISION PERMITTED BEYOND THESE PERIODS. THE BOARD WILL ISSUE FURTHER DIRECTION ON THIS POINT AT A LATER DATE.

END QUOTE
JOHNSON

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